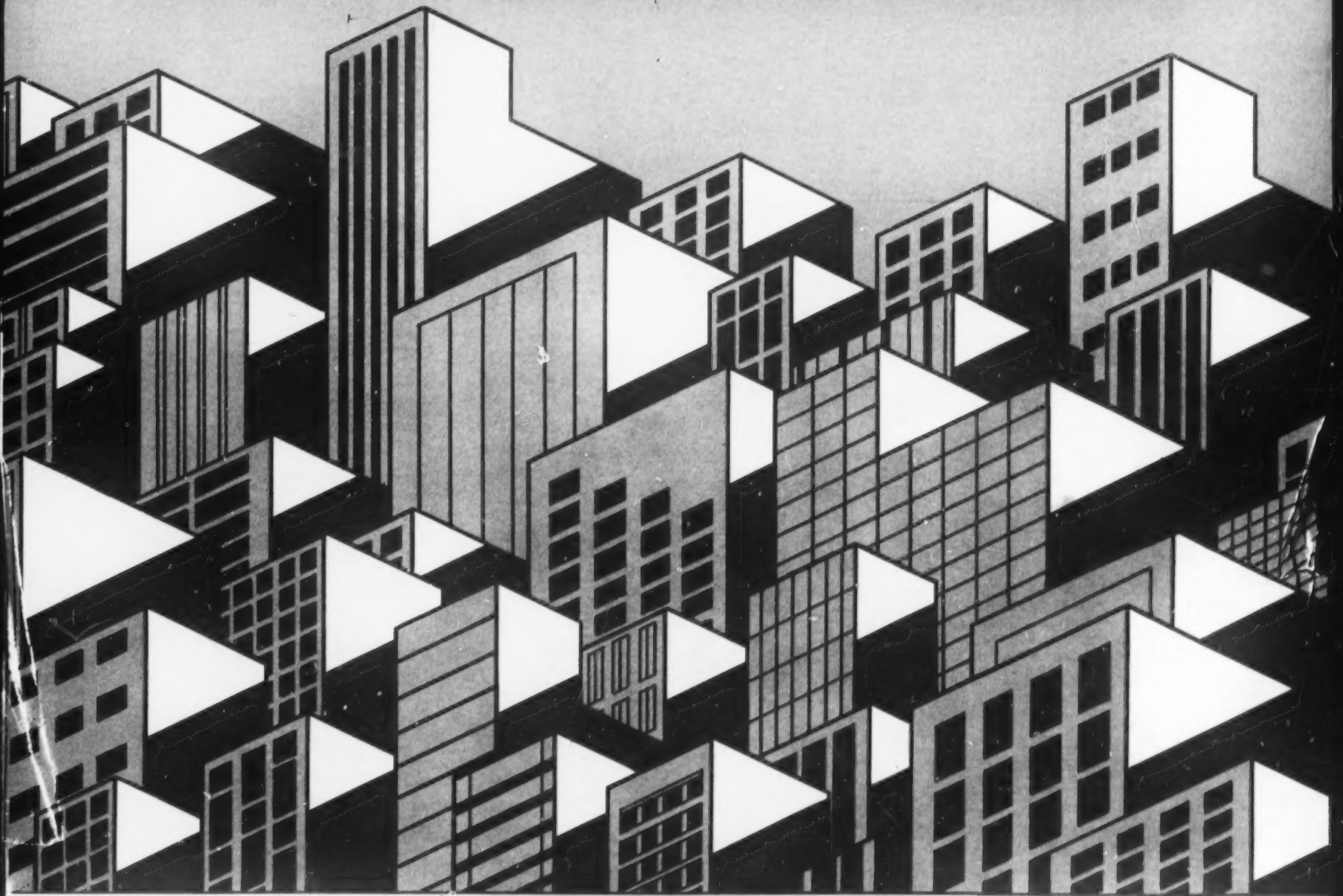


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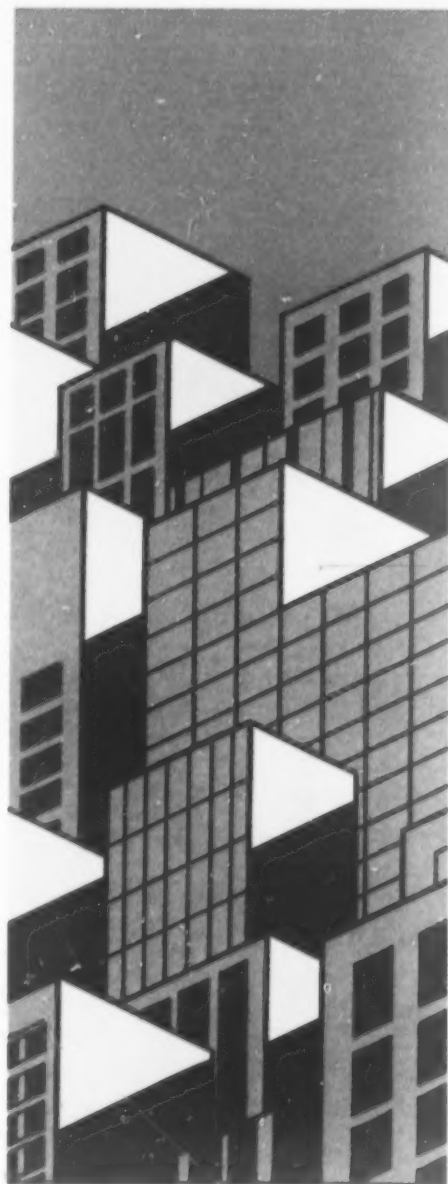


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FIVE OUT OF
EIGHT YEARS

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MARKET LINE

Talking About The Spark Plug Market: A Stable Market After All These Years

Based upon our latest round of interviews among spark plug manufacturers, it seems as though the spark plug market has stabilized at about 550 million automotive plugs sold annually. While most manufacturers concede that the market will continue to decline slightly, perhaps 1% yearly, they firmly expected no great sales drop. "We see it at 546 million automotive plugs," said Mark Rouser, assistant sales manager at Nippondenso, Long Beach, CA. "With a gradual decline of maybe six-tenths of a percent annually."

Mark Hansen, product manager at General Motors/Service Parts Organization (GM/SPO), Detroit, said, "The market is stable at about 550 million plugs. No growth, no decline. We've gone through the adjustment. After all the negatives, eights to fours, electronic ignitions, it's leveled out. Our five-year plan does not show any decrease."

The adjustment that Hansen mentioned is sort of an understatement. It's been a rough decade for spark plug suppliers, mostly due to factors beyond their control. Since 1980, the number of plugs sold per year has declined about 110 million plugs per year, from about 660 million in 1980, to about 550 million in 1990.

The downturn stemmed from the two gas shortages of the 1970s, the import avalanche, and the search for cleaner emissions. A major contributor to the sales decline was the electronic ignition that kept plugs running longer and made the twice-yearly tune-up a thing of the past. About the same time, driven by clean air standards, OE makers added catalytic converters that required unleaded gas which made engines run cleaner and slowed spark plug fouling. In 1980, more than 70% of cars still burned regular gas; by 1989, the percentage was less than 7%. Just finding leaded gas in

1991 is a challenge in many areas of the country.

Add to these factors the continued downsizing of cars in the 1980s that reduced the percentage of V-8 engines on the road from a little more than three-quarters of all cars to roughly 45% today. In 1980, 2,107,000 V-8's were produced; in 1990, the number of V-8's produced declined to 1,062,000. In 1980, there was an average of a little over seven plugs per car; by 1989, there was just a shade over six.

All these factors have one result: fewer spark plug sales. For example, according to MediaMark, New York, which surveys some 20,000 households annually, people in 46% of all households bought spark plugs in 1980; but by 1990, the percentage was down to 29%. Interestingly enough, on our 1991 *Consumer Automotive Repair Study* the percentage of car maintainers that bought tune-up parts such as spark plugs was 30%. Although the number is not comparable, the percentage on our 1985 study was 43%.

In addition, while the number of plugs sold declined, the number of suppliers increased. For years, for all intents and purposes, the market was the sole property of four American suppliers:

- Champion Spark Plug (a division of Cooper Industries), Toledo, OH
- AC-Delco, Detroit (GM/SPO)
- Autolite Division of Allied-Signal, E. Providence, RI
- Ford Motorcraft, Dearborn, MI

But in the 1970s, following the avalanche of imported cars, the four were joined by two Japanese spark plug suppliers, Nippondenso and NGK, Torrance, CA, and the German giant Robert Bosch, Broadview, IL; by the 1980s the three had also become major players, especially in selling replacement plugs for the growing

number of imported vehicles on the road.

The Japanese spark plug makers have benefited from the growth in imported and transplant vehicles. They are OE equipment on the popular Japanese imports and transplants, and are sold at their dealership parts counters at both retail and wholesale. In recent years, a premium, high performance spark plug niche market has appeared. Robert Bosch, NGK, and Autolite all have entries in this higher-priced spark plug category. These plugs appeal to enthusiasts willing to pay premium prices.

Price is a hurdle because consumers have become used to and expect low-priced spark plugs. Due to the bitter competition for planogram footage among seven spark plug suppliers, the consumer has profited. Our surveys show that chains typically stock four brands while jobbers stock three. The chains carry an average of 353 SKUs while jobbers average 588 SKUs of plugs.

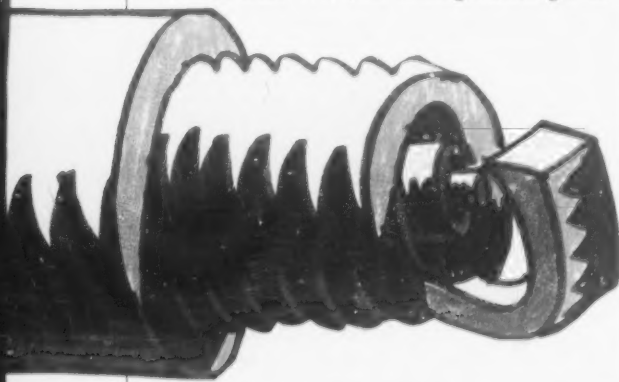
DIYers pay less for a spark plug today than for a toothbrush. Indeed, driven by intense competition, pricing has barely risen throughout the 1980s. The DIYer typically pays about \$1.29 to \$1.39 for a resistor plug. But spark plugs are a heavy promotion item and rebates are common. With just a quick random scan of September advertisements across the country we found AC-Delco resistor plugs at 99 cents with a 50 cent rebate in Ohio and 79 cents with a 50 cent rebate in Texas, Bosch platinum plugs at \$1.97 with a \$1 rebate on four (San Jose), and Champion resistor plugs at \$1.14 with a 25 cent rebate (Philadelphia). While no one likes rebates, no one is willing to be the first to do away with rebating. Even without rebates, NGK plugs were offered for 99 cents in Iowa. So the bitter competition continues between the companies.

WHERE SPARK PLUGS ARE SOLD

Garages and service stations remain the strongest single outlet for spark plug sales.

Outlet	Share	Comments
Garages/Service Stations	30-35%	Still the key outlets, especially garages. Service stations still require equipment.
New Car Dealers	15-20%	Imports, warranties help. Aggressive sector.
Jobber/retailers	15-20%	Keep hard core DIYers with SKU selection.
Auto Chain stores	15-20%	Must educate DIYers on new technologies.
Discount stores	10-15%	Could lose if DIYers slump. Will they maintain service?
Tune-up specialists	5-10%	Solid growth continues.
Others	5-10%	Tire stores up; grocery/drugs down; warehouse stores could be big winners.

Source: Automotive Marketing estimates



MARKET LINE

However, while the pricing has remained steady through the decade, the quality of the plug has risen drastically. Pushed by OE car-makers, manufacturers developed better, longer lasting spark plugs. The 24,000 mile spark plug, which ten years ago was a technological breakthrough, today is simply assumed as the standard for the industry. "Happily, we're still benefitting from the old school thinking among DIYers," said Michael Lenk, manager of product marketing for Champion Spark Plug. "People are still changing plugs at 11-12,000 miles. The problem is that plugs last longer. We're designing ourselves out of business."

And OE car makers are pushing for even longer life plugs, aiming for 60-100,000 miles. At GM, Hansen noted, the company is introducing a 100,000 mile plug on Cadillac and Corvette models this year although it may be ten years until the extended life plugs hit the high volume cars. While this might sound disastrous for the aftermarket, Hansen noted, "As technology changes you do things less often but you pay more dollars. The WD price will be \$4.57 or so, but you only have to do it once." In other words fewer sales but more dollars.

And Larry Gomes, technical service manager at NGK, suggested that people will still change plugs: "Although you can expect longer service from plugs, people are so conscious of peak performance for fuel economy and their inter-

nal psyche clock they know it's time to tune up the car. Even with 20-30,000 mile plugs, the peak is really the midpoint of the cycle. No matter what part of the car it is, it reaches a point of full service, then diminishes. A plug can fire 100,000 miles, but at what point does its efficiency begin to diminish? It's a juggling act how long it lasts. It varies by locale, by driving manners, by conditions."

Efficiency may become a key word in the 1990s. The new Clean Air Act calls for expanding the number of cities that have to clean up emissions. Since the spark plug is a key component of vehicle emissions systems, we can expect more frequent service intervals.

Finally, what about the DIY market? Manufacturers were basically positive about the future of DIY sales. Although the percentage of DIY sales declined slightly in the 1980s, it is still, at a conservative estimate, at 40-45% of the market. GM's Hansen noted that "there are conflicting viewpoints but we're still working it hard. We don't think it's dying that quickly. Studies show that people like to work on their cars."

And Gomes said, "DIY will continue strong because of pressure from the economy if nothing else. Sure, cars are more complicated today, but the high volume models are accessible and the plugs reasonably easy to replace." ■

Carquest 1992 Marketing Strategy Means Business

Carquest is a body of 14 distribution companies operating 65 Carquest DCs, which service 2500+ Carquest Auto Parts Stores throughout the United States. The original three 1973 founders and their companies were: Dan Bock, president of Bobro Prods., Bronx, NY (currently serving as the WD/jobber programmed distribution group's president); O. Temple Sloan, Jr., president of then General Parts, Inc., now known as GPI, in Raleigh, NC; and Joe Hughes, president of Indiana Parts Warehouse, Indianapolis, IN.

Elected 1992 chairman of the Carquest is Neil Stockel (shown), president, BWP Distributors, Inc., Bronx, NY. Stockel received his gavel from immediate past chairman, Arthur E. (Art) Lottes, III, president, A.E. Lottes Co., St. Louis, MO, during the recent October Carquest Marketing Conference at the Dallas, TX, Hilton Conference Center.

"We mean business—Team Carquest" was adopted as the theme for this series of general and private sessions and for the coming year. In the general sessions, 11 different speakers discussed Carquest's new branded and private label products, promotions, tech and inside store personnel training, video library, advertising, public image and service offerings, as

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